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mentor

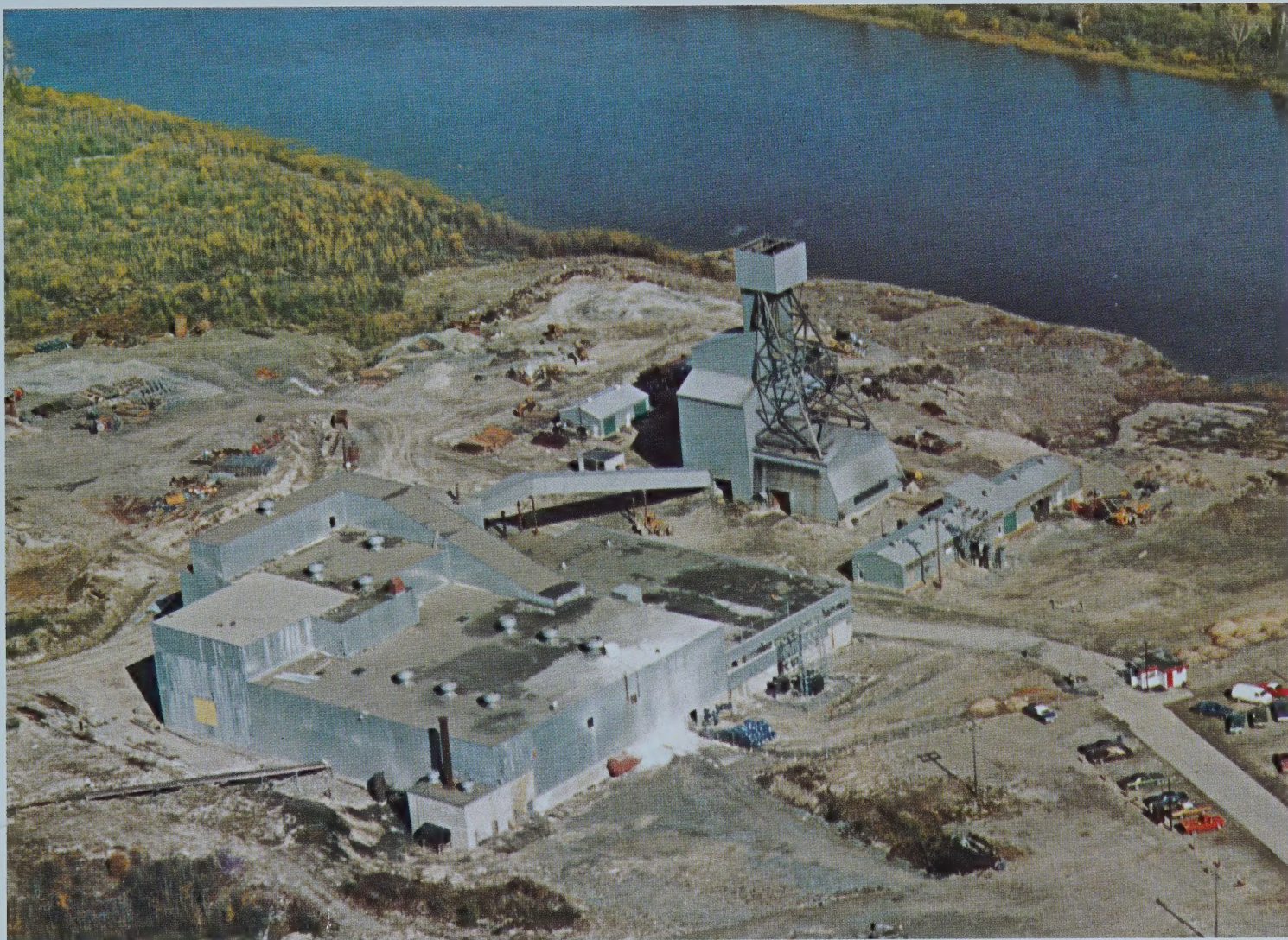
EXPLORATION AND DEVELOPMENT CO., LIMITED



GOLD SILVER GOLD SILVER
Au Ag Au Ag Au Ag Au Ag
Au Ag Au Ag Au Ag Au Ag
Au Ag Au Ag Au Ag Au Ag
GOLD SILVER GOLD SILVER

1979

ANNUAL REPORT



Looking northeast across the mine and mill at the Joutel Township gold mine of Agnico-Eagle Mines Limited. This modern and highly efficient treatment plant is currently being expanded with the installation of a completely new secondary crushing plant with two crushers, replacing the single gyratory crusher within the main mill building. In addition to providing greater flexibility, the new \$330,000 crushing facility will enable an expansion in the current milling rate of approximately 1,000 tons daily, to at least 1,500 tons as mining conditions warrant.



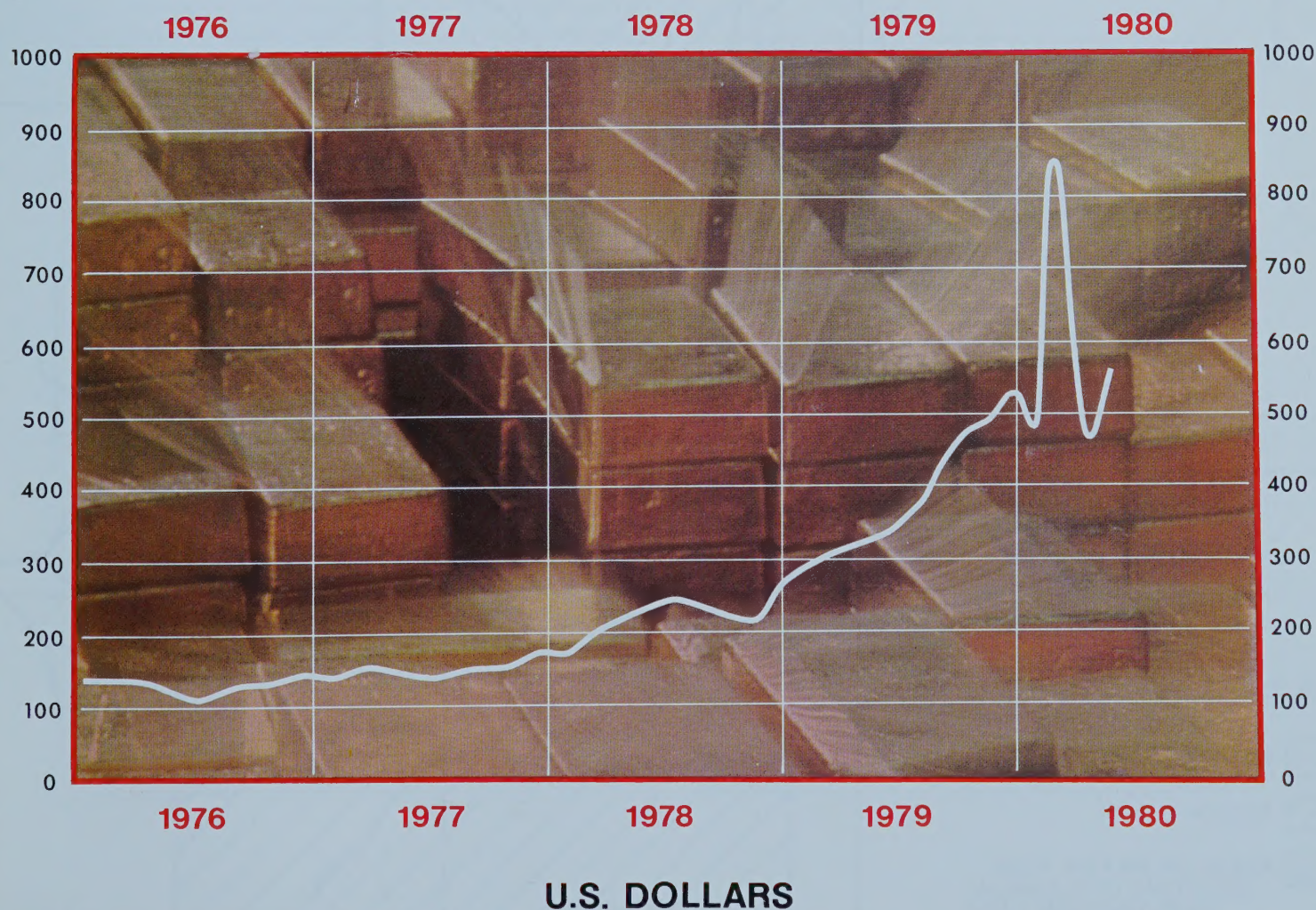
MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

Executive and Head Office	Suite 300, 365 Bay Street, Toronto, Ontario M5H 2V1
Directors	IRVING DOBBS PHILIP DRUTZ GORDON W. KIRK, P.Eng. JOHN R. MURRAY PAUL PENNA ALBERT WASSERMAN
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL Chartered Accountants Toronto, Ontario
Solicitors	SHIBLEY, RIGHTON & McCUTCHEON Toronto, Ontario
Shares Listed	TORONTO STOCK EXCHANGE Toronto, Canada
Annual Meeting	June 27, 1980, 11:00 a.m. (Toronto Time), Head Office, Suite 300, 365 Bay Street, Toronto, Ontario

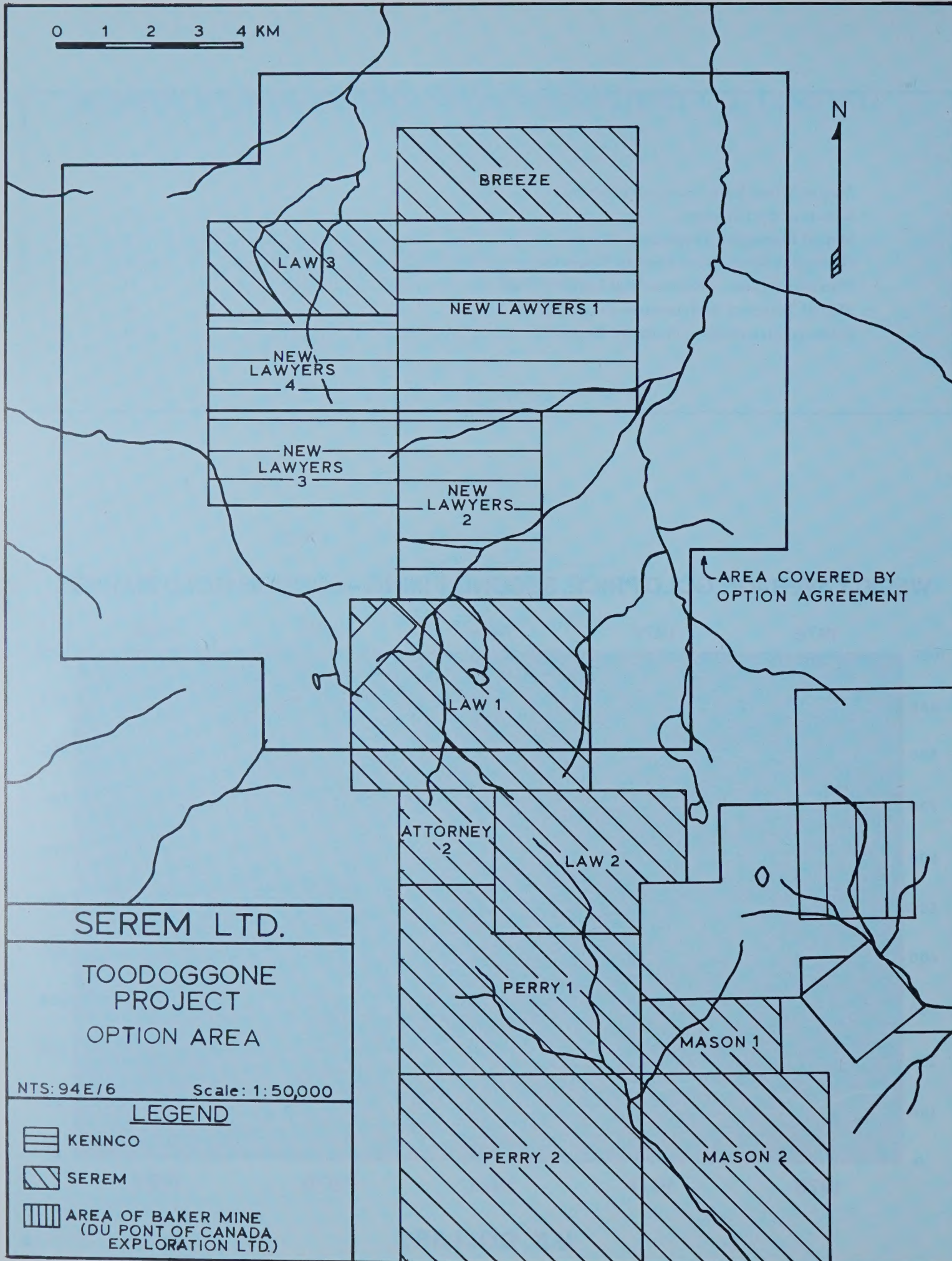
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WEEKLY AVERAGE GOLD PRICE, SECOND FIXING – LONDON GOLD MARKET



0 1 2 3 4 KM



AREA COVERED BY
OPTION AGREEMENT


SEREM LTD.


TOODOGGONE
PROJECT
OPTION AREA

NTS: 94E/6

Scale: 1:50,000

LEGEND

 KENNCO

 SEREM

 AREA OF BAKER MINE
(DU PONT OF CANADA
EXPLORATION LTD.)

REPORT OF THE DIRECTORS

The Directors are pleased to present the 1979 Annual Report of the Corporation which includes the audited financial statements for the year ended December 31, 1979 together with a summary of corporate developments, mineral property interests and principal investments.

During 1979 and in the subsequent period to date, the investment interests of your Corporation were appreciably enhanced by certain developments. These include the announcement by **Dumagami Mines Limited** on February 5, 1980, that subject to the findings of the current feasibility studies and approval for a tailings disposal site, that its Bousquet-Cadillac gold property in northwestern Quebec would be readied for production on a contemplated treatment rate of 1,000 tons per day. Your Corporation and associated Agnico-Eagle Mines Limited jointly hold a 27.1% equity interest in Dumagami.

On April 18, 1980, your Corporation purchased an additional one million shares of **Sudbury Contact Mines, Limited** under private placement arrangement, at a price of \$1.12 per share for an aggregate amount of \$1,120,000. The proceeds of this financing are principally designated to fund the 25% participation of Sudbury Contact in the highly regarded **Serem Joint Venture** project involving the "Lawyers Property" optioned from Kennco Explorations, and other related claim groups in the Omenica Mining District of British Columbia which are currently the subject of an intense program of exploration for high grade gold-silver mineralization. The other participants in the Serem Joint Venture are Serem Ltd. (the wholly owned subsidiary of Serem S. A., France) with 50% and Agnico-Eagle Mines Limited, the remaining 25%.

This purchase of an additional one million shares of Sudbury Contact Mines, Limited increases your Corporation's equity interest to 31.4%.

The third major event of economic importance to your Corporation was the receipt on May 9, 1980 of close to \$200,000 in dividend payment with respect to its equity interest of 8.3% (1,154,223 shares) in **Agnico-Eagle Mines Limited**. The latter, which recently announced its 1979 record financial results of cash flow totalling \$13.5 million equal to \$0.97 per share, and net income of \$7.9 million equal to \$0.57 per share, representing gains of more than 100% and 200%, respectively, from comparative 1978 results, also reported 1980 first quarter figures at an all-time high of \$5.6 million cash flow and \$4.6 million net income, the latter equal to \$0.33 per share.

Agnico-Eagle's 1980 first quarter financial results, alone, represent approximately 50% of the total realized for the full 12 months of the record 1979 year.

On its own account, your Corporation is actively exploring the optioned group of claims obtained under an agreement with Placer Development Limited comprising the former tungsten-producing "Emerald Property" which was pooled with the other approximate 3,000 acres covering claims in the area to the east including the "Victory Property". Also during the year, the 17-claim property in the Elliot Lake uranium area of Ontario was sold to a major producing corporation holding the contiguous ground in consideration of an annual royalty of 3% of the gross revenue from the subject lands.

Financial

Net income for 1979 amounted to \$158,255 compared with \$179,865 for the previous year. The reclassification and acquisition of investments into non-current assets which also involved the reclassification of certain of the 1978 figures to



Scenes inside the new secondary crushing plant at the Joutel Twp. Gold Mine. This new addition will provide greater flexibility in grinding and crushing operations and will significantly increase the overall mill capacity.



conform with the presentation adopted for 1979, is reflected in the working capital deficiency of \$3,113,620 at December 31, 1979. The increase in working capital during the first quarter of 1980 totalling \$857,530, has reduced the working capital deficiency to \$2,256,090 at March 31, 1980.

Income during the year, principally represented in gains from the sale of marketable securities and investments, plus dividends and interest earned, amounted to \$560,392, less administrative and general expenses totalling \$402,137 or a net of \$158,255. Subsequent to the period ended March 31, 1980, working capital was further augmented by the dividend payment of Agnico-Eagle Mines Limited of 15¢ per share (U.S. funds) amounting to approximately \$200,000 in equivalent Canadian funds.

Investments

Investments, principally consisting of substantial minority shareholdings in Agnico-Eagle Mines Limited, Dumagami Mines Limited and Sudbury Contact Mines, Limited, had a carrying value at December 31, 1979 of \$6,039,348 and a quoted market value of approximately \$19 million at that time. Subsequent to the end of the year, certain dispositions and acquisitions were made. The following is a tabulation of the principal investment holdings at May 1, 1980:

Agnico-Eagle Mines Limited — 1,154,223 shares equal to an approximate 8.3% interest.

Dumagami Mines Limited — 809,400 shares equal to an approximate 17.4% interest.

Sudbury Contact Mines, Limited — 2,385,582 shares equal to an approximate 31.4% interest.

The quoted market value of the Corporation's investments at May 1, 1980, including the foregoing, was approximately \$19.6 million.

The following separate summaries of the corporations in which Mentor has significant interests are presented for the information of shareholders:

AGNICO-EAGLE MINES LIMITED

The corporation operates separate gold and silver mining divisions, respectively located in Joutel Township, Quebec, and in the Cobalt area of

Ontario. The following are the principal 1979 financial and operating highlights, with comparative 1978 figures in parentheses:

Financial results for 1979, the second consecutive year of significant earnings expansion, include bullion revenue from both operating divisions at \$26,956,747 (\$15,786,288) and cash flow from operations \$13,505,636 (\$6,644,349) equal to \$0.97 per share (\$0.48) and net income of \$7,946,110 (\$2,636,302) equal to \$0.57 per share (\$0.19).

Gross revenue for the Gold Division in 1979 totalling \$23,902,229 (\$14,107,110) reflects the appreciably higher average price received for gold during the year at \$366.42 per ounce (\$221.89) with a corresponding increase in net division revenue to \$12,743,322 (\$6,667,305). The latter figure is before deduction of amortization of deferred expenditures and depreciation, corporate income tax and head office expenses.

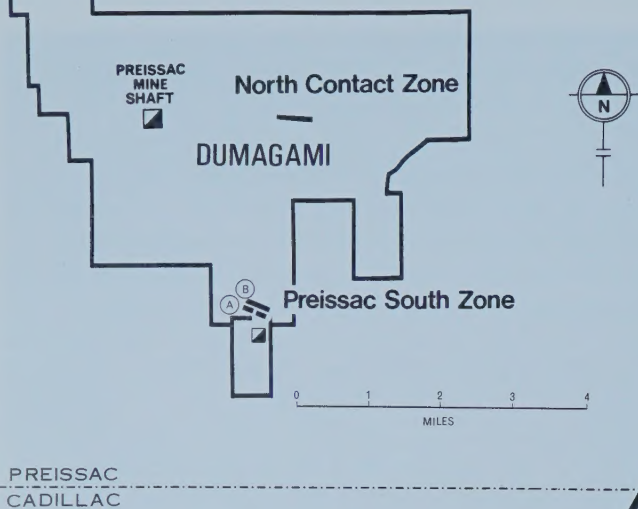
The Silver Division revenue of \$3,054,518 (\$1,679,178) reflects the higher average price received for silver during the year of \$16.31 per ounce (\$6.26) notwithstanding a moderate decline in silver production to 187,315 ounces (268,208) from the milling of 46,075 tons of ore (44,266). Net division revenue, prior to those deductions and expenses specified in the Gold Division net revenue figures, amounted to \$1,565,723 (\$428,202).

The excellent pattern of expanding earnings was particularly evident in the 1979 fourth quarter with cash flow for that three-month period amounting to \$6,064,624 equal to \$0.44 per share and net income for the period of \$3,335,786 equal to \$0.24 per share. First quarter 1980 results were equally impressive with cash flow for the period of \$5,589,852 equal to \$0.40 per share and net income of \$4,555,722 equal to \$0.33 per share.

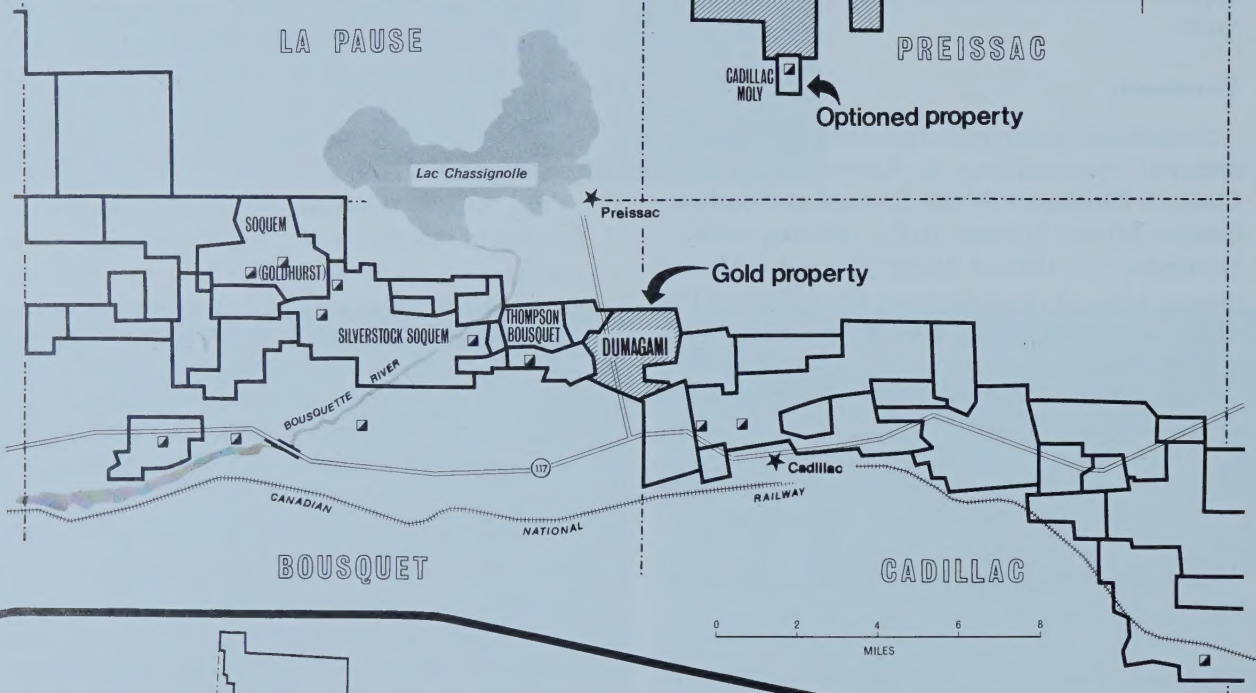
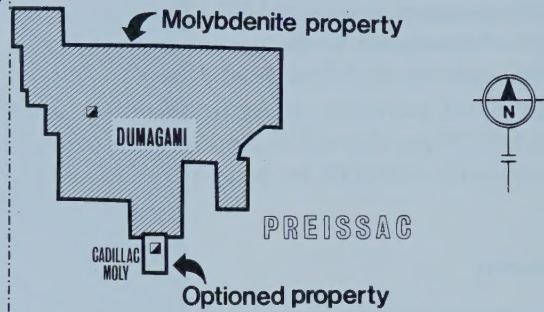
The interesting observation is that first quarter 1980 results were approximately equal to 50% or more of the total for the full 12 months of 1979 and a gain of nearly 300% from the results of the comparative period last year, the 1979 first quarter.

The new secondary crushing plant at the Gold Division came on stream during March, 1980, greatly increasing the overall milling capacity from the former design rate of 1,000 tons per day to as much as 1,500 tons capacity.

DETAIL PLAN of MOLYBDENITE PROPERTY

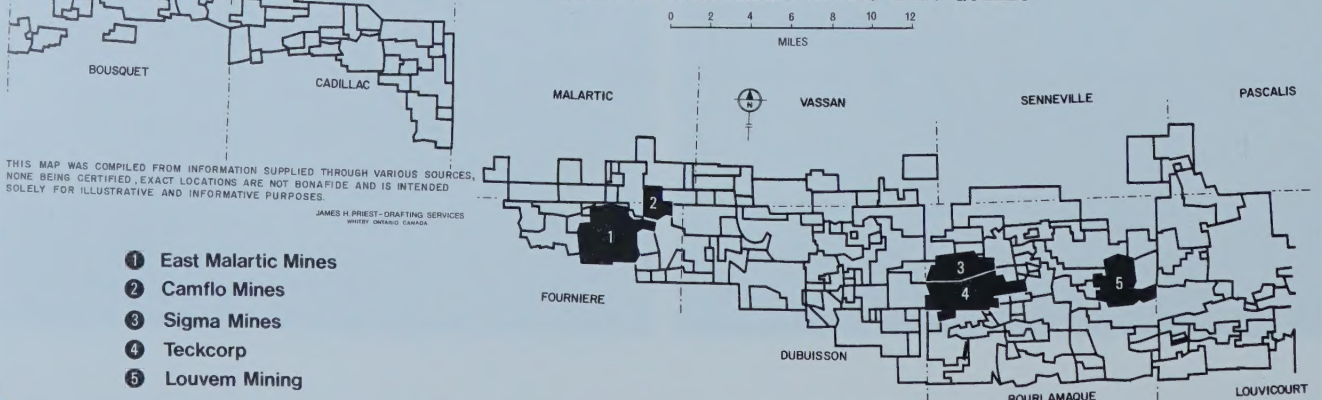


MALARTIC · VAL d'OR GOLD CAMP



MAJOR GOLD PRODUCERS

MALARTIC · BOURLAMAQUE MINING AREA · QUEBEC



THIS MAP WAS COMPILED FROM INFORMATION SUPPLIED THROUGH VARIOUS SOURCES, NONE BEING CERTIFIED, EXACT LOCATIONS ARE NOT BONA FIDE AND IS INTENDED SOLELY FOR ILLUSTRATIVE AND INFORMATIVE PURPOSES.

JAMES H. PRIEST - DRAFTING SERVICES
WHITBY ONTARIO CANADA

Operations at the Silver Division, with new production units commencing latterly in the year and evident in the first quarter operations, have prompted consideration for the expansion of milling capacity during the current year. During the three months ended March 31, 1980 a total of 16,836 tons of ore was treated producing 80,614 ounces of silver with a gross value of \$2,123,970. This division anticipates 1980 silver production totalling approximately one million ounces, a very considerable increase from the 1979 total of 187,315 ounces.

DUMAGAMI MINES LIMITED

Your Corporation and associated Agnico-Eagle Mines Limited have a combined equity interest in Dumagami Mines Limited of approximately 27.1%. The other principal corporate shareholder is Noranda Mines Ltd. which holds an approximate 28% interest. Dumagami Mines Limited owns a molybdenite property in Preissac Township, Quebec, which includes the former producing Preissac Molybdenite Mine and surrounding area consisting in total of five mining concessions and 47 claims for a combined area of approximately 3,900 acres, plus the leased key claims of the similarly former producing Cadillac Molybdenite Mine property adjoining to the south.

Dumagami also owns a gold property in Bousquet and Cadillac Twps., about six miles south and west from the leased Cadillac Mine and a secondary highway connects both properties. The town of Cadillac is about three miles distant to the southeast and a paved highway connecting to the main Val d'Or-Montreal Highway passes through the eastern part of this gold property.

Molybdenite Properties

Both the Preissac and Cadillac molybdenite properties had substantial production during the mid-1960's to early in the 1970's when their respective operations were suspended because of economic conditions. The then prevailing price for molybdenum oxide was substantially below the current level approximating \$US11.50 per lb.

During the past year, a new 96-ft. production shaft was erected over the old 800-ft. three compartment shaft on the leased Cadillac

Molybdenite Mine, complete with shaft house and necessary mining equipment. The latter shaft, from which the former production was obtained, provided access to the surface drill-indicated 'Preissac South Zone' on the contiguous Dumagami-owned Preissac Property.

The hoist and compressor building was also erected and a hoist and compressor installed and became operational early in 1979. After completion of dewatering of the shaft, all stations and necessary drifts were cleaned out and made operational and the transfer facility on surface was rehabilitated and the ventilation system re-established.

Underground work commenced during May, 1979 on both the 300 and 600 levels which were drifted into the adjacent Preissac South Zone for a total of 1,786 feet. Underground diamond drilling totalling 7,987 feet was completed to January, 1980 on these two levels, with the resultant ore estimation:

Preissac South Zone — 322,549 tons grading 0.45% MoS₂ and the Blueberry Vein — 174,114 tons grading 0.27% MoS₂ for a total of 496,663 tons averaging 0.39% MoS₂.

The maintenance building housing the mine dry, offices, warehouse, electrical, mechanical, carpentry and machine shops, has been erected at the Cadillac Molybdenite Mine site. This has been fully winterized and equipped with water and other utilities. Site preparation for the nearby milling plant was carried out.

The former Preissac Mill was dismantled and salvageable material and equipment is ready to be used for installation of the Cadillac Molybdenite Mine property. At the moment, the molybdenite project is on a care and maintenance basis, pending resolution of plans for production.

Gold Property

The Dumagami gold-silver-copper property consists of 26 claims straddling the common boundary of Bousquet and Cadillac Township, immediately west of the main gold producing belt of the Malartic-Val d'Or Camp which hosts such well known producing mines as the Camflo, Sigma and Lamaque.

The Dumagami property itself is contiguous to the east of the producing Thompson-Bousquet Mine, currently producing about 750 tons daily and shipping to the custom mill of Malartic Gold Fields (Quebec) Limited. The latter property in turn is adjacent to the Silverstack-Soquem gold mining operation, now shipping at a rate of 500 tons daily to the East Malartic mill. The Dumagami property is also about a half-mile west from the Darius Gold Mine (a wholly owned subsidiary of Consolidated Gold Fields of New York and part of the Consolidated Gold Fields Group). Darius is

currently in the exploration-development stage but has four stopes in operation and milling about 200 tons daily.

Ore reserves at the Dumagami property are estimated at 2.3 million tons to a depth of 800 feet grading an average 0.096 oz. gold and 0.27 oz. silver per ton and 0.16% copper. Drilling carried out in 1975 indicated that some 300,000 tons are available for open pit mining with the remainder to be extracted by underground methods.

The new 96-ft. production headframe on the leased Cadillac Molybdenite Mine site complete with hoist and compressor building. The maintenance building is partly visible at the left. This houses the mine dry, offices, warehouse, electrical, mechanical, carpentry and machine shops and will be available in conjunction with the erection of milling facilities for gold ore at this site.



Production Planning

Concurrent with the announced decision during February, 1980, subject to the findings of a then current feasibility study and approval for a tailings disposal site, to prepare the property for production, an electrical switch facility and power supply was installed at the property and a service mobile unit moved on to the site.

As an alternative to the earlier-planned custom treatment proposal, a 1,000 ton per day mill is being considered for this project on the leased Cadillac Molybdenite Mine site about six miles to the north. At the latter site, a maintenance building housing the offices, shops, etc., had already been erected in conjunction with the underground program at the molybdenite mine.

Site preparation for the nearby milling plant owned by Dumagami has been carried out. The former Preissac Mill was dismantled and salvageable material and equipment is available for erection at this site.

Currently, further studies are in progress and include metallurgical test work to determine the design of the mill flow sheet and the tentative plan to incorporate a special circuit to eventually treat the molybdenite ore. As envisaged, the flow sheet will produce a copper-gold-silver concentrate and separate cyanide recovery from tailings of the gold and silver residuals. It is proposed that financing for this project will be jointly provided by Noranda Mines Limited and the Agnico-Eagle Mines' Group, either by way of cash advances or bank loan guarantees.

Current Surface Drilling Program

Although the earlier drilling was insufficient to estimate tonnage below the 800 ft. depth, two of the deeper holes provided indications of similar grade to a depth of at least 1,200 feet. In this conjunction, a program of surface diamond drilling was recently initiated to test for extensions along strike to the east and to depth. A recent hole east of the presently defined deposit intersected 26 feet averaging 0.19 oz. gold and 1.49 ozs. silver per ton and 0.32% copper plus 0.96% zinc.

This intersection was obtained at a depth of approximately 500 feet from surface and indicates

an extension of the main zone to the east. Drilling is continuing.

SUDBURY CONTACT MINES, LIMITED

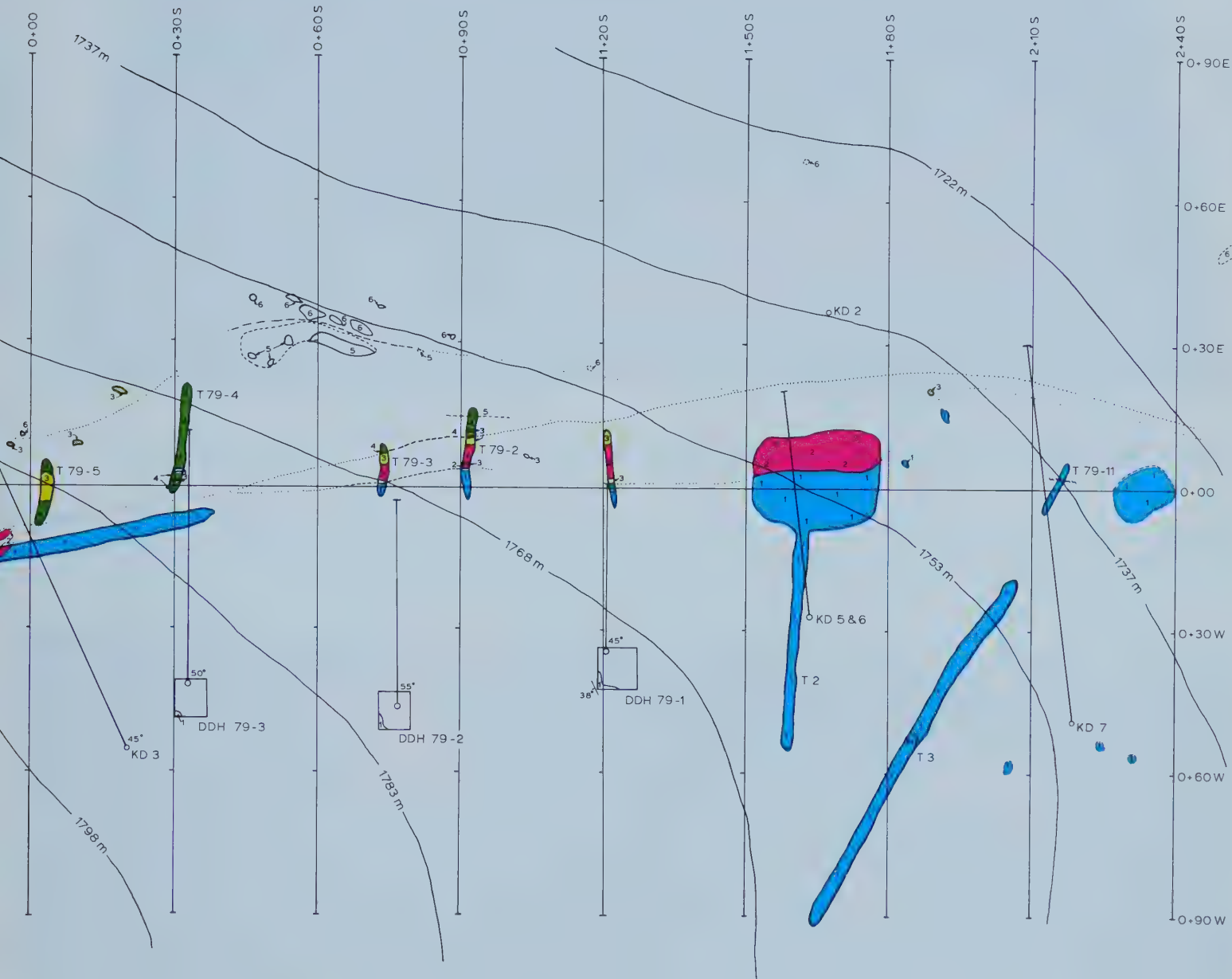
As previously mentioned, your Corporation purchased under private placement arrangement, an additional one million treasury shares of Sudbury Contact Mines, Limited, increasing its equity interest in the latter to 2,385,582 shares equal to 31.4% of the total issued and outstanding capital. Among other corporate objectives, the \$1,120,000 of new financing will provide for the 25% contribution by Sudbury Contact to the **Serem Joint Venture** which is currently carrying out an intensive program of exploration for gold and silver in the Omenica Mining District of British Columbia. The other corporate partners in this joint venture are Serem Ltd. (the wholly owned subsidiary of Serem S.A. of France) with 50%, and associated Agnico-Eagle Mines Limited the remaining 25%.

The projected expenditures by Sudbury Contact in the Serem Joint Venture over the three-year period to 1981 could involve a sum of up to \$876,000.

Sudbury Contact also plans additional surface diamond drilling in two selected target areas on its Kirkland-Larder Lake gold properties in Ontario where previous work in two separate stages, 1975-1976 and the 1978 programs, outlined six gold bearing veins containing an estimated 50,680 tons grading 0.128 oz. gold per ton on the former Laguerre Gold Mine property and 26,100 tons grading 0.205 oz. gold per ton in two adjacent veins on the Knutson Zone, about 700 feet south of the Laguerre Shaft. The 1980 drilling will include a minimum of 3,000 feet for a further test of the Knutson Zone where the last hole in the 1978 program intersected 0.27 oz. gold per ton across 4.5 feet along strike of these two veins to the south, which is open for extension.

Serem Joint Venture

The Serem Joint Venture involves a working option on a group of claims known as the 'Lawyers Property' which was optioned to Semco Mining



SEREM LTD.

LAWYERS PROJECT

AMETHYST GOLD BRECCIA ZONE

GEOLOGY

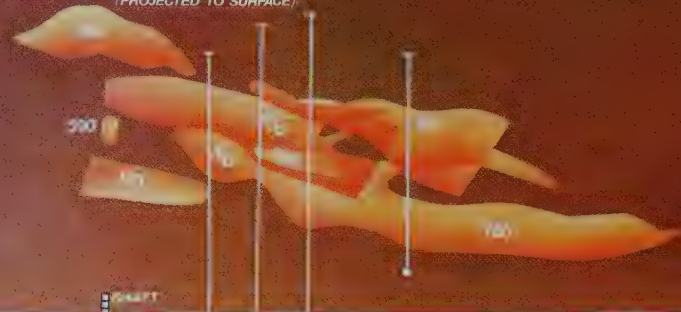
NTS: 94E/6E

0 1 2 3 4m

SURFACE PLAN

GOLD BEARING ZONES

(PROJECTED TO SURFACE)



trenches

VEIN No. 2

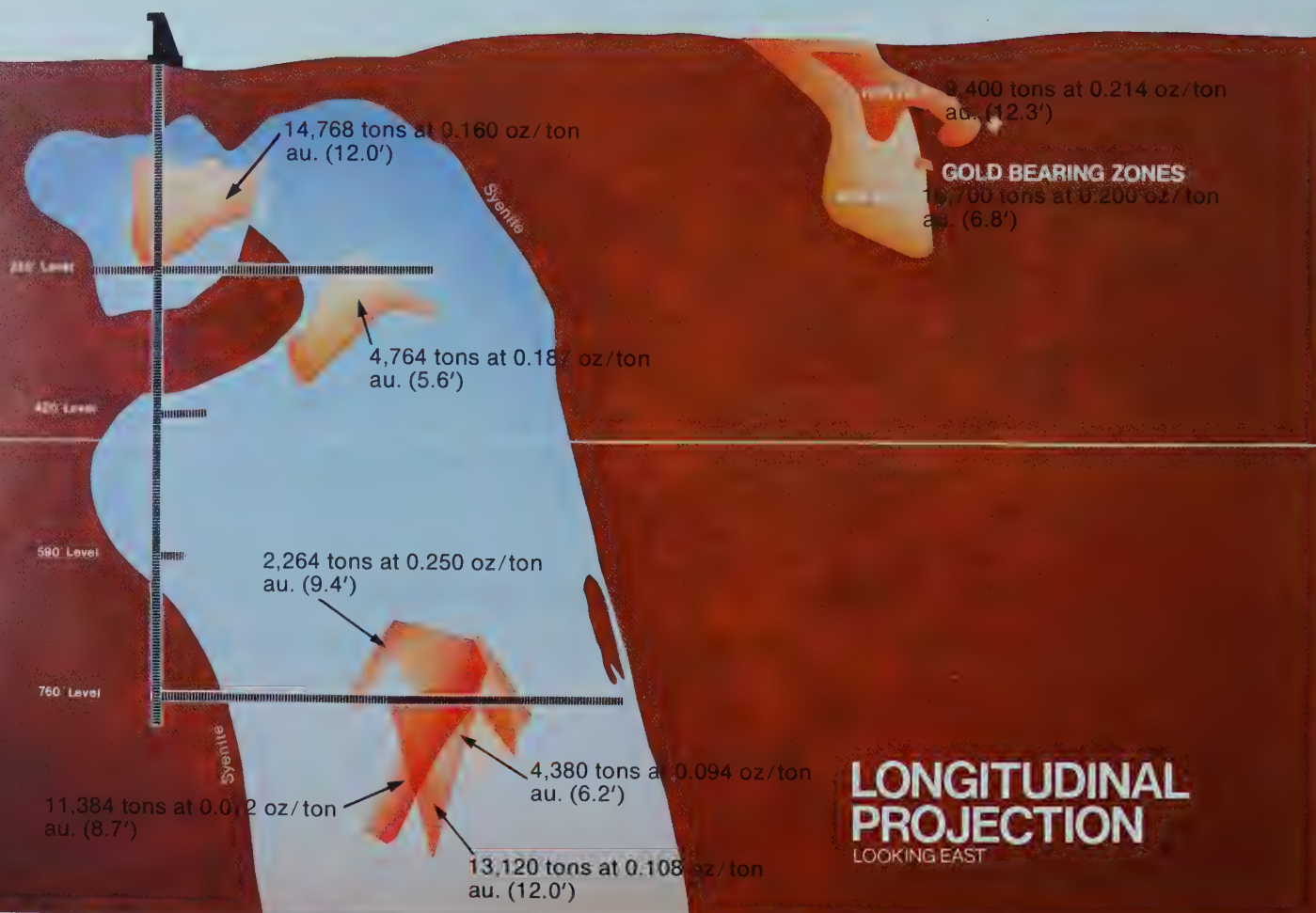
VEIN No. 7

trenches

SUDBURY CONTACT MINES LTD.

KNUTSON DISCOVERY AREA, LARDER LAKE ONTARIO

0 100 200 300 400 FEET



14,768 tons at 0.160 oz/ton au. (12.0')

4,764 tons at 0.187 oz/ton au. (5.6')

2,264 tons at 0.250 oz/ton au. (9.4')

11,384 tons at 0.012 oz/ton au. (8.7')

4,380 tons at 0.094 oz/ton au. (6.2')

13,120 tons at 0.108 oz/ton au. (12.0')

9,400 tons at 0.214 oz/ton au. (12.3')

GOLD BEARING ZONES

15,700 tons at 0.200 oz/ton au. (6.8')

LONGITUDINAL PROJECTION

LOOKING EAST

Corporation by Kennco Explorations, (Western), Limited in 1978 and assigned to Serem Ltd. in May, 1979; and the Serem groups of claims, known as the 'Toodoggone Project'.

The Lawyers Property under option from Kennco consists of New Lawyers 1, 2, 3 and 4 groups, totalling 448 units and covering about 2,965 acres. The properties designated as the Toodoggone Project consist of three claim groups, Law 1, Law 2 and the Breeze claims comprising 38 units, which were staked adjoining the Kennco group of properties for protection along strike. As these claims were within the one mile perimeter clause, they are part of the Kennco option agreement. Other claims staked under the 'Toodoggone Project' and covered by a separate agreement, total 176 units.

The properties comprising the Serem Joint Venture are all contiguous, the eastern boundary of which is about 2.5 kilometres west from the Baker Mine property at Chappelle which is being placed into production by Du Pont of Canada Exploration Limited at a cost of some \$12 million with scheduled start-up of operations in 1981. Ore reserves at the Baker Mine are estimated at 100,000 tons averaging 0.9 oz. gold and 19 ozs. silver per ton. These reserves are sufficient for three years production. Du Pont has stated it will continue exploration in the area.

Mineralization

During the 1979 field season, the Serem Joint Venture carried out a program of exploration, principally concentrated on the Amethyst Gold Breccia Zone contained within the Lawyers Property option. This consisted of a series of 11 trenches varying in length from 35 to 50 feet for a total of some 565 feet, which were excavated and systematically sampled for gold and silver. This was followed by surface diamond drilling totalling some 1,000 feet in four holes, two of which were stopped in gold-silver mineralization, and all four intersected varying values in gold and silver with the best intersections being 50.9 feet averaging 0.062 oz. gold and 2.96 ozs. silver per ton, including 17.9 feet that ran 2.96 ozs. silver; 29.8 feet averaging 0.095 oz. gold and 2.62 ozs. silver; and 92.5 feet averaging 0.025 oz. and 1.74 ozs. silver including 18.0 feet that ran 0.056 oz. gold and 2.24 ozs. silver which was separated by a core length of 8.8 feet from a 9.2 ft. intersection of 0.032 oz. gold and 6.94 ozs. silver.

The foregoing drilling program was terminated ahead of schedule because of a lack of drilling water. The values obtained in trench samples were of similar tenor. A summary of the work done by Kennco in 1973-1975 and by the Serem Joint Venture in 1979 on the Amethyst Gold Breccia Zone has established widespread gold and silver mineralization over an area 1,500 feet long by 250 feet wide and from 100 to 200 feet below surface. The zone is still open on strike and to depth.

1980 Exploration Program

The program of exploration scheduled for 1980 will include additional rock trenching and diamond drilling on the Amethyst Gold Breccia Zone to fully delineate the gold-silver values to enable a proper assessment of the tonnage and grade. In addition, detailed follow-up exploration is planned for other areas of interest including the 'South Lens' and the 'North Lens' which have been traced by trenches and drilling for lengths of 350 feet and 150 feet, respectively.

The estimated cost of the 1980 program, as agreed by the Joint Venture partners, is \$500,000. The next stage of the program in the continuing evaluation of the Amethyst Gold Breccia Zone will require an underground test, involving the driving of an adit, cross-cutting and drifting, together with the establishing of drill stations for closely-spaced definition drilling. This phase of the program, which may be scheduled for 1981, would involve a further expenditure of some \$2.8 million.

South Emerald Tungsten Project, Salmo, B.C.

As announced in August, 1979, your Corporation entered into an agreement with Placer Development Limited whereby Mentor was granted a three-year working option on the claims comprising the former tungsten producing 'Emerald Property' which was then pooled with the claims comprising the 'Victory Property' and the additional claims added to the latter optioned group in 1978, and now comprising a total of some 3,000 acres.

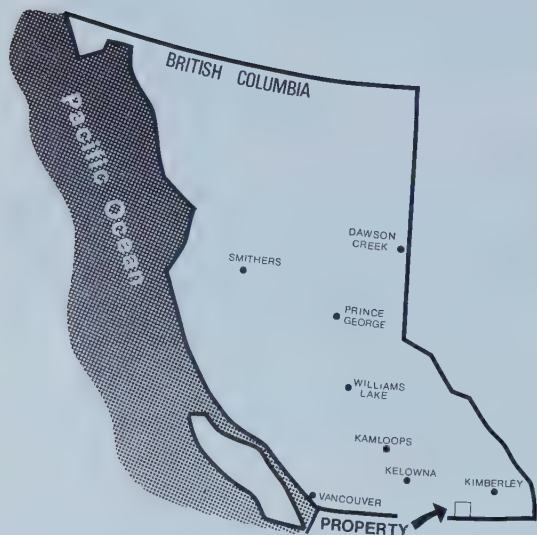
Under the agreement with Placer, the Corporation, in order to maintain the option, must expend the sum of \$250,000 in exploration and related work during the year ended April 30, 1980 and a further

TUNGSTEN-MOLYBDENUM PROPERTY

Salmo B.C.

mentor

EXPLORATION AND DEVELOPMENT
COMPANY LIMITED



Legend

- NO OUTCROP
- GRANITE
- LIMESTONE, DOLOMITE
- ARGILLACEOUS SEDIMENTS
MINOR LIMESTONE
- QUARTZITE



Symbols

- W Tungsten
- Mo Molybdenum
- Zn Zinc
- Au Gold
- ⌘ Producers past & present

sum of \$100,000 in each of the succeeding yearly periods to April 30, 1982. Thereafter, Mentor may elect to transfer the subject claims to a new company with an authorized capital of 100,000 shares of which 60,000 shares will be issued to Mentor and 40,000 shares to Placer.

This option was extended for a three-month period to July 31st, 1980. To date, six deep, vertical holes have been completed along the southerly extension of the main 'trough' axis of the Emerald Tungsten zone at a cost of approximately \$150,000. Further work including additional drilling is planned involving an expenditure of approximately \$100,000 which would satisfy the validation requirement of the working option.

GENERAL

The buoyant gold prices during 1979 which ranged from an opening level of US\$220 per ounce to close the year at US\$512 per ounce, or an average of US\$307 per ounce for the entire year, have clearly sustained this trend in the period to date, averaging well above US\$500 per ounce.

The outlook for gold for 1980 and beyond has very significant implications for your Corporation in terms of its investments in Agnico-Eagle Mines Limited, Dumagami Mines Limited, and Sudbury Contact Mines, Limited.

Your Corporation's strong financial position, as evidenced in the current approximate market value of these investments of some \$19 million, places it in an excellent position of exposure for the current and future years.

On behalf of the Board of Directors


"Paul Penna"
President

May 16, 1980

BALANCE SHEET

AS AT DECEMBER 31, 1979

ASSETS

CURRENT ASSETS

Cash	
Sundry receivable	
Prepaid expenses	
Advances to other corporations	

OTHER ASSETS

Investments, at cost (Note 2)	
Mining claims and options (Note 3)	
Deferred exploration expenditures	

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness (Note 4)	
Payable to brokers (Note 4)	
Accounts payable and accrued charges	
Loans payable — 10%	

SHAREHOLDERS' EQUITY

Capital	
Authorized	
5,000,000 Shares, without par value	
Issued	
3,455,746 Shares	
RETAINED EARNINGS	

See accompanying notes to financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

1979	1978
\$	\$ 786
1,549	32,361
1,900	—
40,358	40,358
43,807	73,505

6,039,348	4,111,329
238,398	155,880
189,324	177,368
6,467,070	4,444,577
<u>\$ 6,510,877</u>	<u>\$ 4,518,082</u>

\$ 2,540,198	\$1,085,000
154,649	159,814
105,680	45,673
356,900	32,400
<u>3,157,427</u>	<u>1,322,887</u>

1,802,966	1,802,966
1,550,484	1,392,229
3,353,450	3,195,195
<u>\$ 6,510,877</u>	<u>\$ 4,518,082</u>

AUDITORS' REPORT TO THE SHAREHOLDERS of Mentor Exploration and Development Co., Limited

We have examined the balance sheet of Mentor Exploration and Development Co., Limited as at December 31, 1979 and the statements of income and retained earnings, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
February 19, 1980

Approved on behalf of the Board of Directors:

JOHN MURRAY, Director

PAUL PENNA, Director

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1979

	1979	1978
EXPENSES		
Administration and office services	\$ 10,800	\$ 10,800
Interest and bank charges	295,088	108,965
Legal and audit	31,694	11,345
Shareholders' information	14,422	15,803
Property examination consulting fees	33,567	38,170
Transfer agent fees	5,516	4,342
Miscellaneous	8,645	5,166
Travel expense	1,405	9,119
Directors' fees	1,000	900
	<u>402,137</u>	<u>204,610</u>
Less: Gain on sale of marketable securities and investments	409,100	360,587
Interest and dividends earned	151,292	23,888
	<u>560,392</u>	<u>384,475</u>
NET INCOME FOR THE YEAR	158,255	179,865
RETAINED EARNINGS, beginning of year	1,392,229	1,212,364
RETAINED EARNINGS, end of year	<u>\$ 1,550,484</u>	<u>\$ 1,392,229</u>

See accompanying notes to financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

For the Year Ended December 31, 1979

	1979	1978
SALMO AREA, BRITISH COLUMBIA		
Consulting fees	\$ 37,489	\$ 15,473
Miscellaneous	4,929	—
Diamond drilling	38,977	—
	<u>81,395</u>	<u>15,473</u>
OTHER PROPERTIES		
Licences and taxes	165	1,161
	<u>81,560</u>	<u>16,634</u>
DEFERRED EXPLORATION EXPENDITURES, beginning of year	177,368	160,734
	<u>258,928</u>	<u>177,368</u>
Less: Deferred expenditures reclassified to royalty interests (Note 3)	69,604	—
DEFERRED EXPLORATION EXPENDITURES, end of year	<u>\$ 189,324</u>	<u>\$ 177,368</u>

See accompanying notes to financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

As at December 31, 1979

	1979	1978
Hill Group, Ontario (Note 3)	\$ —	\$ 66,400
Halet Group, Ontario (Note 3)	—	2,520
Chandler Group, Ontario (Note 3)	—	684
Belleterre Area, Quebec	47,694	47,529
Salmo Area, British Columbia	141,630	60,235
	<u>\$ 189,324</u>	<u>\$ 177,368</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1979

	1979	1978
SOURCE OF FUNDS		
Net income for the year	\$ 158,255	\$ 179,865
Reclassification of deferred expenditures	69,604	—
	<u>227,859</u>	<u>179,865</u>
APPLICATION OF FUNDS		
Increase in mining claims	82,518	—
Reclassification and acquisition of investments	1,928,019	3,134,283
Exploration expenditures	81,560	16,634
	<u>2,092,097</u>	<u>3,150,917</u>
DECREASE IN WORKING CAPITAL	(1,864,238)	(2,971,052)
WORKING CAPITAL (DEFICIENCY), beginning of year	(1,249,382)	1,721,670
WORKING CAPITAL DEFICIENCY, end of year	<u>\$ (3,113,620)</u>	<u>\$ (1,249,382)</u>

See accompanying notes to financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1979

1. ACCOUNTING POLICY

The company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be of little or no value are written down to nominal value and deferred exploration thereon is written off against retained earnings. The amounts shown for deferred exploration expenditures are not intended to reflect present or future values.

2. INVESTMENTS

Investments are comprised as follows:

	1979		1978	
	Number of Shares	Cost	Number of Shares	Cost
		\$		\$
Dumagami Mines Limited	769,400	799,978	734,100	734,488
Sudbury Contact Mines, Limited	1,385,582	302,422	1,385,582	302,422
Agnico-Eagle Mines Limited	1,134,523	4,261,332	953,623	2,777,335
Destorbelle Mines Limited	902,337	2,605	902,337	2,605
Falconbridge Copper Limited	12,200	67,442	9,200	43,547
Goldex Mines Limited	154,550	45,627	133,650	35,590
Kiena Gold Mines Limited	46,600	478,122	—	—
Consolidated Rambler Mines Ltd.	—	—	116,000	133,522
Long Shots, Inc.	27,760	81,819	27,760	81,819
New Jason Mines Limited	333	1	333	1
		<u>6,039,348</u>		<u>4,111,329</u>

3. MINING CLAIMS AND OPTIONS

Mining claims and options are represented as follows:

	1979	1978
— 13 claims in Gullet Township	\$ 50,000	\$ 50,000
— Victory, B.C. option (see below)	40,000	30,000
— Royalty interests (see below)	148,396	75,878
— Miscellaneous claims at nominal value	2	2
	<u>\$ 238,398</u>	<u>\$ 155,880</u>

(a) Victory, B.C. Option

This represents an exclusive option to mine and explore property in Victory, B.C. Option renewable until December 1, 1980 by payments of \$10,000 per annum, which have been made. At

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

December 1, 1980 the company has the choice of either purchasing the claims outright or abandoning their options in this area.

(b) **Royalty Interests**

During the year the company acquired royalty interests on mining claims previously held. The royalty interests represent the costs of 17 mining claims in the Townships of Buckles and Joubin, District of Algoma and the deferred costs accumulated thereon. Pursuant to an agreement dated September 14, 1979 the consideration received on the sale of these claims is an annual royalty of 3% of the gross revenue from the lands.

4. **BANK INDEBTEDNESS AND PAYABLE TO BROKERS**

These liabilities are secured by certain of the investments.

5. **OTHER STATUTORY INFORMATION**

Remuneration of directors and senior officers for the year ended December 31, 1979 amounted to \$1,000 (1978 — \$900).

6. **LOSS CARRY FORWARDS**

At December 31, 1979 the Company had approximately \$145,000 of loss carry forwards which expire in 1984.

7. **COMPARATIVE FIGURES**

Certain of the 1978 figures have been reclassified to conform with the presentation adopted for 1979.

